



GARY R. HERBERT
Governor

GREGORY S. BELL
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

October 6, 2010

CERTIFIED RETURN RECEIPT
7005 2570 0000 4801 6072

Michael Provstgaard
808 West 5950 South
Palmyra, Utah 84660

Subject: Review of Reclamation Surety, Michael S. Provstgaard, Lost Sheep Mine Site, S/023/029, Juab County, Utah

Dear Mr. Provstgaard:

Three issues associated with permitting of the Lost Sheep mine need to be resolved. Details of each of these issues are discussed below, including alternatives for decreasing the amount of surety required.

1. The reclamation surety needs to be increased. Based on the current disturbance—not permitted disturbance—the amount needs to be increased from \$5400.00 to \$22,700.00 for a three-year escalation or \$22,800.00 for a five-year escalation. The disturbed area is 1.3 acres. In addition to the standard amount for regrading and revegetation, the reclamation surety estimates include costs for building demolition and equipment removal.
2. The Division needs to receive a signed reclamation contract.
3. The Notice of Intention to Commence Small Mining Operations (NOI) needs to be updated.

Surety Amount

The reclamation surety for the Lost Sheep Mine was calculated in 2007 and escalated to 2010 dollars. The bond renewal date was March 13, 2010, so it is due for re-evaluation. In accordance with rule R647-3-111.6, the Division of Oil, Gas and Mining is required to adjust the surety amount for changes in reclamation costs.

The surety figures shown above are based on the current disturbance at the site and on average reclamation costs as discussed below.



Reclamation surety amounts for large mines are calculated based on the amount of earthwork that needs to be done, revegetation costs, etc. The Division averaged calculated costs for about 40 large mines to obtain the average costs shown below. These were used as the basis for the increase being required for the Lost Sheep mine.

Small Mining Operation Notices

Project Size (Acres)	Surety 3 & 5 year escalation 2010	Comments
1 or less acres	\$7,400 (3-year escalation) \$7,500 (5-year escalation)	Minimum amount required
Additional acres up to 5 acres	\$4,400/ acre (3-year escalation) \$4,400/acre (5-year escalation)	One additional acre, any partial acre is consider a full acre
Buildings	70' x 35' x 10' x \$0.35 x 0.5 = \$4,288 30' x 20' x 10' x \$0.35 x 0.5 = \$1,050 30' x 10' x 10' x \$0.35 x 0.5 = \$ 525 Equipment removal = \$5,000	\$10,863
Total	\$22,663 (3-year escalation) round to nearest \$100 \$22,763 (5-year escalation) round to nearest \$100	\$22,700 (3-year escalation) \$22,800 (5-year escalation)

Please contact the bond coordinator, Penny Berry, at 801-538-5291 or by e mail at bondcoordinator@utah.gov for information about submitting the additional bond. Your current bond is in the form of a certificate of deposit. You may increase the amount in the certificate of deposit, or you may submit a different form of surety either for the increased or the total amount. In addition to certificates of deposit, the Division accepts letters of credit, cash, and surety bonds. Bonding forms are available on the Internet at <http://www.ogm.utah.gov/minerals/MINERALSFORMS.htm>.

As an alternative to increasing the surety amount, the reclamation liability can be decreased by reclaiming a portion of the site and amending the Notice of Intention to Commence Small Mining Operations to show the decreased acreage. If you decide to pursue this option, please contact the lead inspector, Wayne Western at 801-538-5263. The Division would need to continue to hold adequate surety for the reclaimed area while vegetation is becoming established.

Please provide the additional surety or perform the reclamation no later than December 4, 2010. Failure to do so may result in a requirement to cease all mining activities and conduct immediate reclamation.

Reclamation Contract

The Division needs to receive a signed reclamation contract. When the Division received your surety in 2006, we asked for but did not receive a signed reclamation contract. This contract is required by rule R647-3-111.4. A partially filled out copy of the contract is enclosed. **By November 8, 2010, please review the contract, sign this form, have it notarized, and return the original to the Division.**

Notice of Intention

Your current NOI says the disturbance will be five acres or less, but this does not correspond with the amount of disturbance at the site. If the permitted disturbance is five acres, the required surety is \$35,900.00 or \$36,000.00 depending on the escalation year.

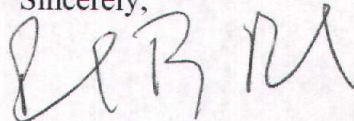
The Division suggests that you amend the NOI to reflect the current disturbance, and there are other aspects of the NOI that need to be updated.

The best alternative would be for you to submit an entirely new NOI. The form is available on the Division's web site at https://fs.ogm.utah.gov/pub/mines/minerals_related/forms/MR-SMO.pdf. If you have questions about this form or if you need a hard copy, please contact Wayne Western at the number listed above.

If you desire to reduce the permitted acreage as suggested, please submit the revised NOI no later than November 8, 2010.

Thank you for your help in keeping the surety and the NOI current. If you have any questions concerning this letter, please contact me at 801-538-5261 or Wayne Western at 801-538-5263.

Sincerely,



Paul B. Baker
Mining Program Manager